



Proposed Headquarters Hotel Feasibility and Impact Analysis
Ernest N. Morial Convention Center
New Orleans, Louisiana
August 21, 2018



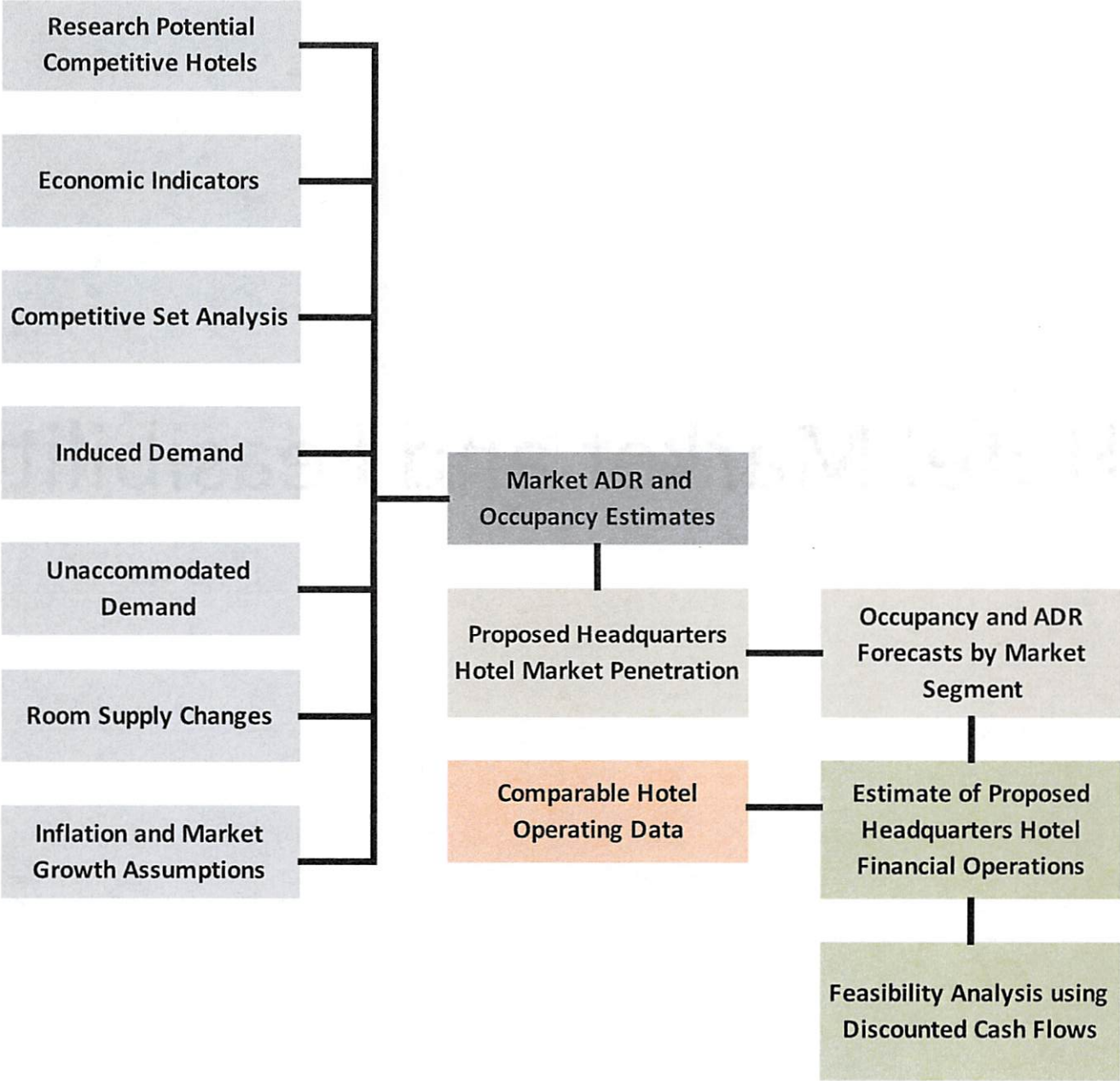
Agenda

Discussion of Proposed Omni Hotel Project

1. Hotel Market and Feasibility Analysis
2. Proposed Approach to Financing
3. Impact on MCC Demand
4. Economic and Fiscal Impact

Hotel Market and Feasibility Analysis

Methodology



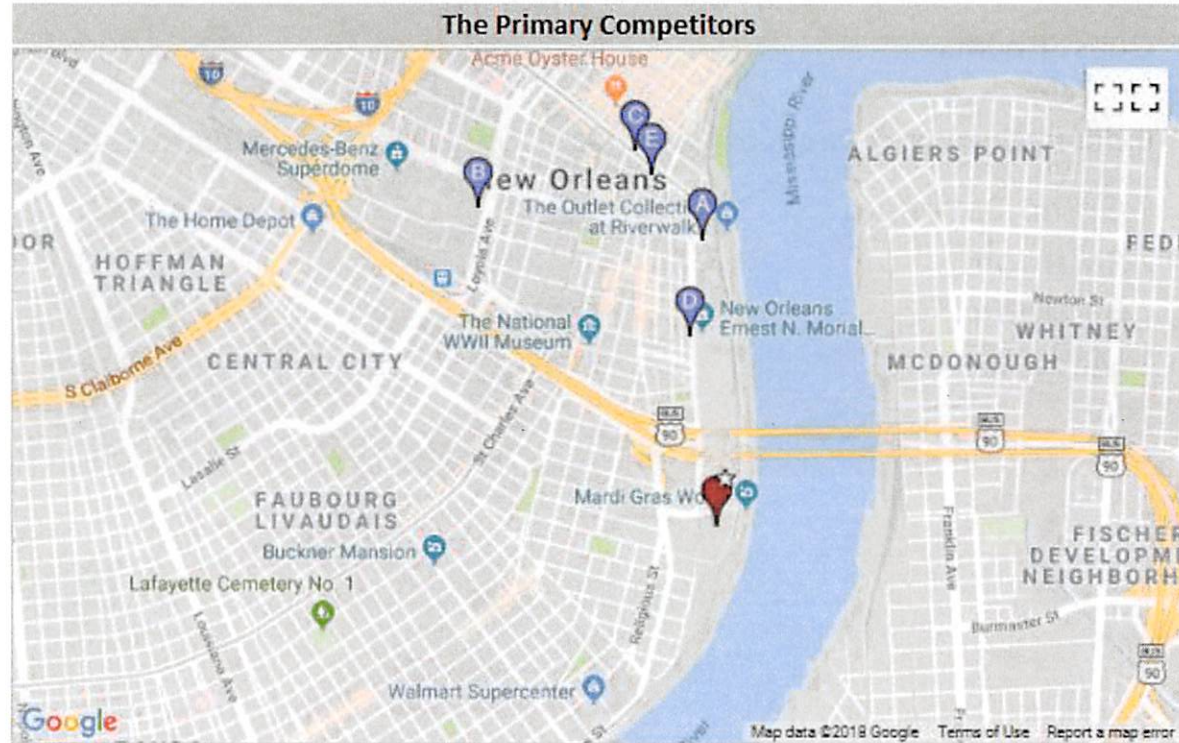
District Site Map



Proposed Building Program

Guest Rooms	1,200
Indoor Meeting & Banquet Facilities	Square Feet
Grand Ballroom	30,000
Ballroom	20,020
Ballroom	15,010
Meeting	34,873
Total	99,903

The Competitive Set

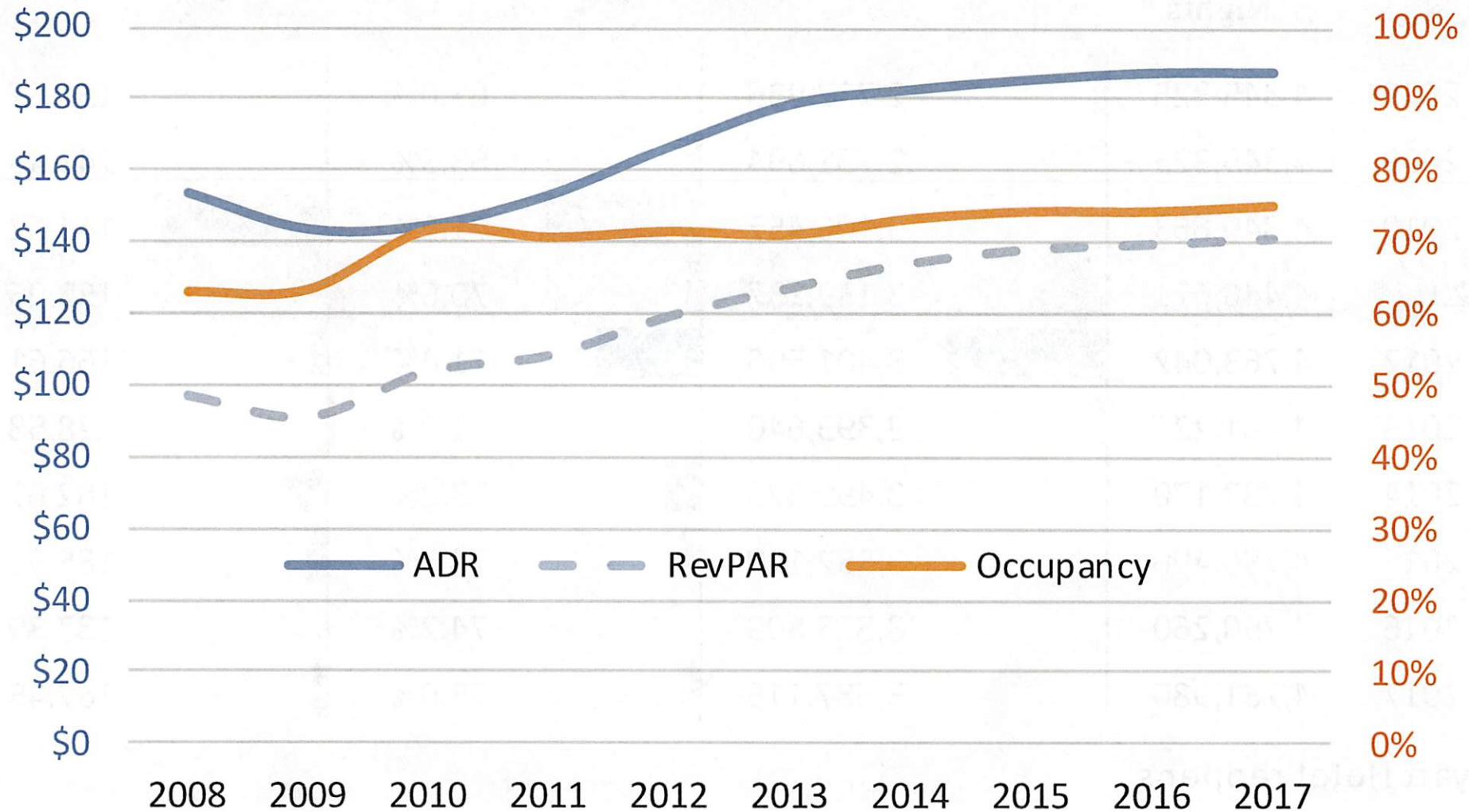


-  Proposed Headquarters Hotel
-  Hilton New Orleans Riverside
-  Hyatt Regency New Orleans
-  Marriott New Orleans
-  New Orleans Downtown Marriott at the Convention Center
-  Sheraton New Orleans

Hotel	Number of Rooms	Competitive Level	Weighted Room Count
Five Primary Competitors			
Hilton New Orleans Riverside	1,622	100%	1,622
Hyatt Regency New Orleans	1,193	100%	1,193
Marriott New Orleans	1,333	100%	1,333
New Orleans Downtown Marriott at the Convention Center	331	100%	331
Sheraton New Orleans	1,110	100%	1,110
Totals/Averages	5,589	100%	5,589
27 Secondary Competitors	7,512	47%	3,525
32 Primary & Secondary Competitors Total/Weighted	13,101	70%	9,114

Sources: STR and HVS

ADR, RevPAR, and Occupancy Ten-year Trends

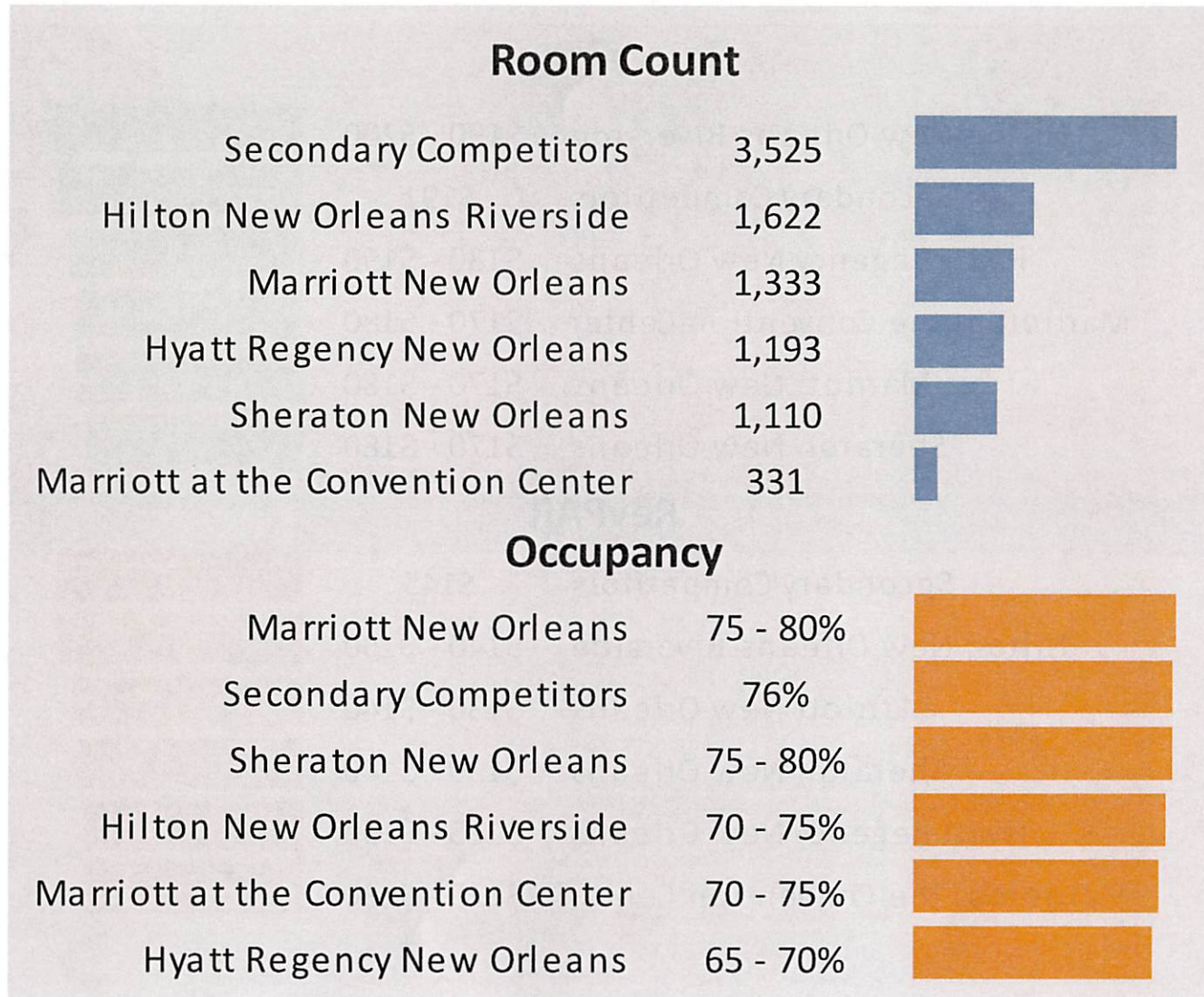


Historical Performance of the Competitive Hotels

Year	Available Room Nights	Annual Change	Occupied Room Nights	Annual Change	% Occ	Annual Change	ADR	Annual Change
2008	4,345,325		2,737,936		63.0%		153.57	
2009	4,345,325		2,751,694		63.3%		143.46	
2010	4,340,663		3,106,457		71.6%		144.62	
2011*	4,446,671		3,139,137		70.6%		153.06	
2012	4,763,042		3,401,596		71.4%		166.61	
2013	4,781,227		3,395,640		71.0%		178.58	
2014	4,782,170		3,499,623		73.2%		182.67	
2015	4,786,406		3,552,119		74.2%		185.51	
2016	4,790,260		3,555,809		74.2%		187.39	
2017	4,781,980		3,587,116		75.0%		187.45	

*Hyatt Hotel reopens.

Room Count and Occupancy



Average Daily Rate and RevPAR



Known New Hotel Supply

New Supply	Year Open	Rooms
Proposed Warehouse Convention Center Hotel	2019	215
Proposed Four Seasons World Trade Center*	2019	350
Proposed World War II Museum Hotel*	2019	234
Proposed Hard Rock Hotel and Residences	2020	350
Proposed Virgin Hotel	2020	225
Total		1,374
*Under construction		

Induced Demand from Proposed Hotel (for a stabilized year)

Source of Induced Demand	Total Induced Room Nights
Convention Center Net	122,225
Meeting Space Proposed Hotel	50,000
Totals	172,225

Comparison of Projected Market to Proposed Hotel



Proposed Hotel Pro Forma in a Stabilized Year of Operation (2026)

STATISTICS	
Number of Rooms	1200
Occupied Room Nights	306,600
Occupancy	70%
Average Rate	\$224.70
RevPAR	\$157.29

	\$000	% of Gross
Operating Revenue		
Rooms	\$68,894	57.7%
Food	38,290	32.1%
Beverage	4,595	3.8%
Other Operated Departments	6,126	5.1%
Miscellaneous Income	1,532	1.3%
Total Operating Revenues	\$119,437	100%
Departmental Expense*		
Rooms	\$15,846	23.0%
Food & Beverage	25,731	60.0%
Other Operated Departments	2,451	40.0%
Total Expenses	\$44,027	36.9%
Departmental Income	\$75,410	63.1%
Undistributed Operating Expense		
Administrative & General	\$7,643	6.4%
Marketing	8,093	6.8%
Prop. Operations & Maint.	4,121	3.5%
Utilities	3,147	2.6%
Info & Telecom Systems	1,199	1.0%
Total Expense	24,203	20.3%
Gross House Profit	\$51,207	42.9%
Management Fee	\$3,583	3.0%
Income Before Non-Opr. Inc. & Exp.	\$47,624	39.9%
Non-Operating Income & Expense		
Property Taxes	\$0	0.0%
Insurance	1,049	0.9%
Reserve for Replacement	4,777	4.0%
Total Expense	\$5,827	4.9%
EBITDA Less Reserve	\$41,797	35.0%

*Departmental expense ratios are calculated as a percentage of departmental revenue.

Hotel Valuation

Assuming Conventional Financing

Key Assumptions for Loan

- Omni branded Hotel
- Brand managed
- Conventional loan
- 35% equity
- No public investment

The value of the project is below the expected cost of the facility assuming no cost to the land lease that property taxes will not be paid on the hotel.

The difference between the cost of the project and the value is primarily related to the amount of meeting space and higher quality desired in the public spaces.

Assumptions

Rooms	1200
Loan-To-Value Ratio	65%
Blended Yield Senior and Mezz.	5.00%
Equity Yield	17.50%
Transaction Costs for Sale	2.00%
Sale End of Year	10
Terminal Capitalization Rate	8.50%
Total Property Yield	10.50%

Estimated Value at Opening January 1, 2023

Mortgage Component	\$292,294,631
Equity Component	157,389,417
Total	<u>\$449,684,047</u>
Value per Room	<u>\$374,737</u>

Assumptions Range of Costs/Funding Gap

\$425 thousand per Room	\$510,000,000
\$475 thousand per Room	\$570,000,000
\$525 thousand per Room	\$630,000,000

Possible Funding Surplus (Gap)

\$425 thousand per Room	(\$60,315,953)
\$475 thousand per Room	(\$120,315,953)
\$525 thousand per Room	(\$180,315,953)

Proposed Approach to Financing

How Governments Finance Headquarters Hotel

	Ownership	Capital Stack	Default Risk	Cost of Funds	Final Ownership
Option 1	Private	Debt, Equity, Public Subsidy	Private (Equity Investor and Lenders)	9% to 11%	Private
Option 2	Public	Tax Exempt Debt plus Incentives or Credit Enhancement	Bondholders & Public Sponsor	4% to 6%	Public
Option 3	Non-Profit	Tax Exempt Debt plus Incentives	Bondholders	7% to 9%	Public

Proposed Financing Plan

- Non-profit ownership
- Tax-exempt debt
- Three tiers of debt
- Private placement of subordinate bonds
- 40-year amortization
- No MCC default risk
- Reversion of hotel to MCC after debt is repaid

Estimated Sources and Uses of Funds (\$ millions)

Proposed Sources

Senior Bond Proceeds	7.00%	\$305
Mezzanine Bond Proceeds	8.50%	180
Subordinated Bond Proceeds	11.00%	107
Interest Earnings	2.00%	12
MCC Capital Contribution		41

Total Sources

\$646

Proposed Uses

Project Funding	\$533
Reserve Accounts	43
Capitalized Interest	54
Working Capital	9
Issuance Costs	7

Total Uses of Funds

\$646

Estimate Value of Proposed Incentives in other Headquarter Hotel Financings

Project	Ownership	Credit Enhancement	Year	Rooms	Cost (\$ millions)	Cost Per Key (\$ thousands)	Incentive (\$ millions)	Incentive %
Portland Metro Hyatt Regency	Private	No	2019	600	230	383	74	32%
Oklahoma City Omni	Private	No	2020	600	235	392	85	36%
Loews Kansas City	Private	No	2020	800	322	403	161	50%
Omni Louisville	Private	No	2018	600	307	512	107	47%
Omni Nashville	Private	No	2013	612	247	404	150	61%
Omni Forth Worth	Private	No	2009	614	128	208	49	38%
Marriott Marquis Chicago	Public	Yes	2017	1,205	450	373	50	11%
Dallas Omni	Public	Yes	2011	1,001	500	500	100	20%
							Average	37%
New Orleans HQH	Non-Profit	No	2023	1,200	646	538	173	27%

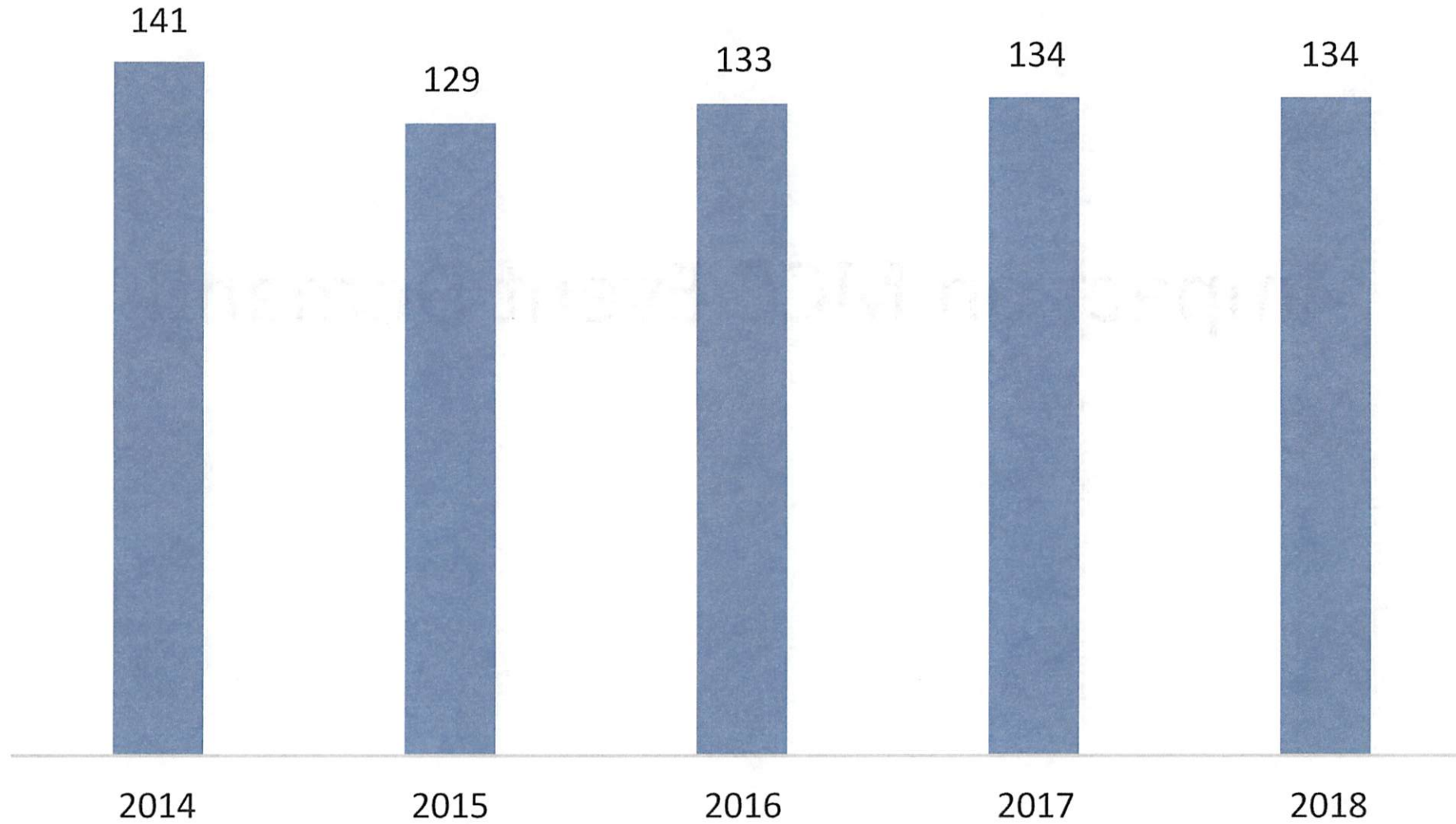
Estimate Value of Proposed Incentives

Proposed Source	Present Value* (\$ millions)	% of Project Costs
Proposed Source		
Capital Contribution	\$36	
Project Generated Room Taxes	76	
Project Generated Sales Taxes	13	
Hotel Property Taxes	48	
Total	<u>\$174</u>	27%
Less Residual Value of Hotel	<u>(\$36)</u>	
Net Value of Incentives	<u><u>\$137</u></u>	21%

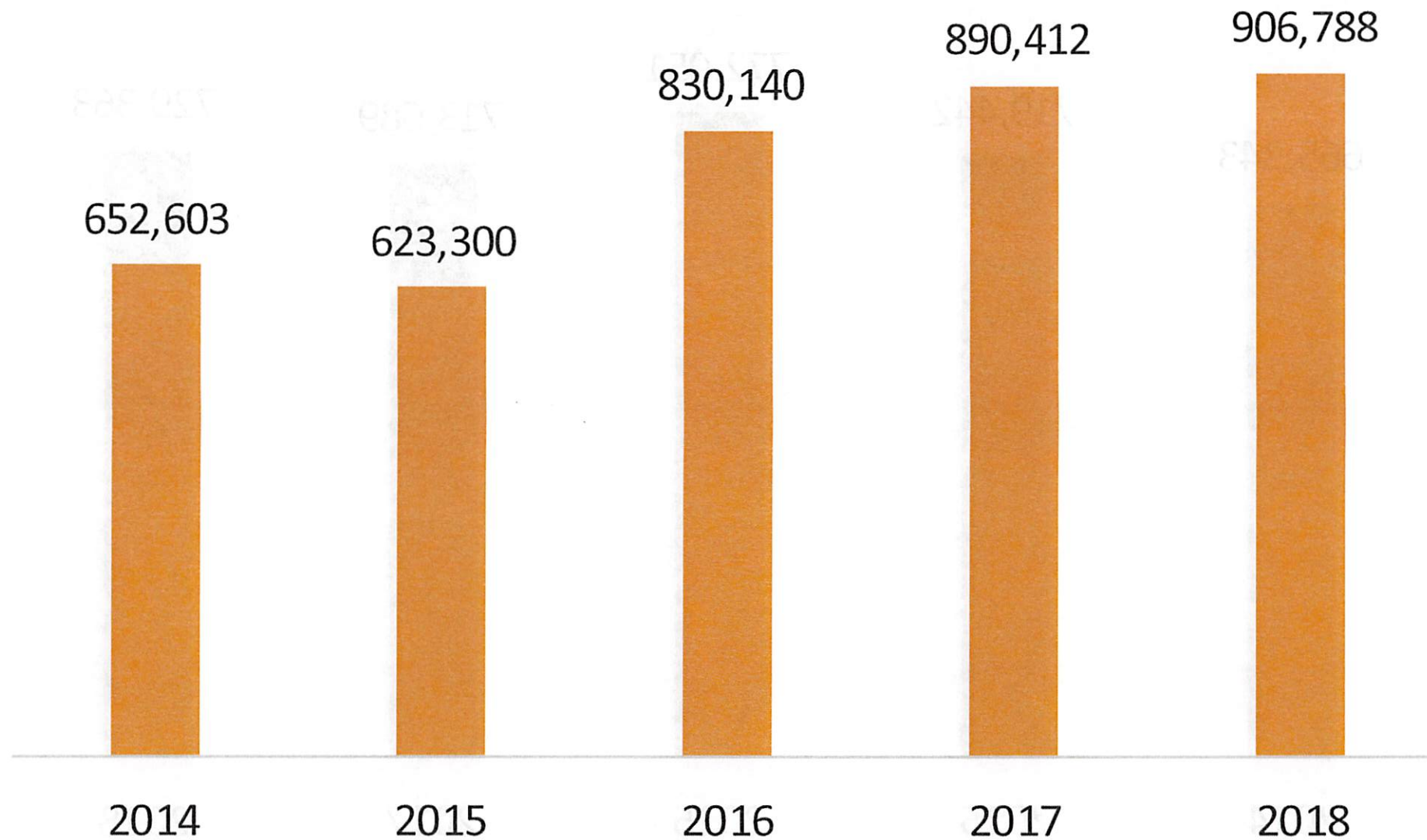
*Project cash flows discounted at blended cost of capital (8.8%).

Impact on MCC Event Demand

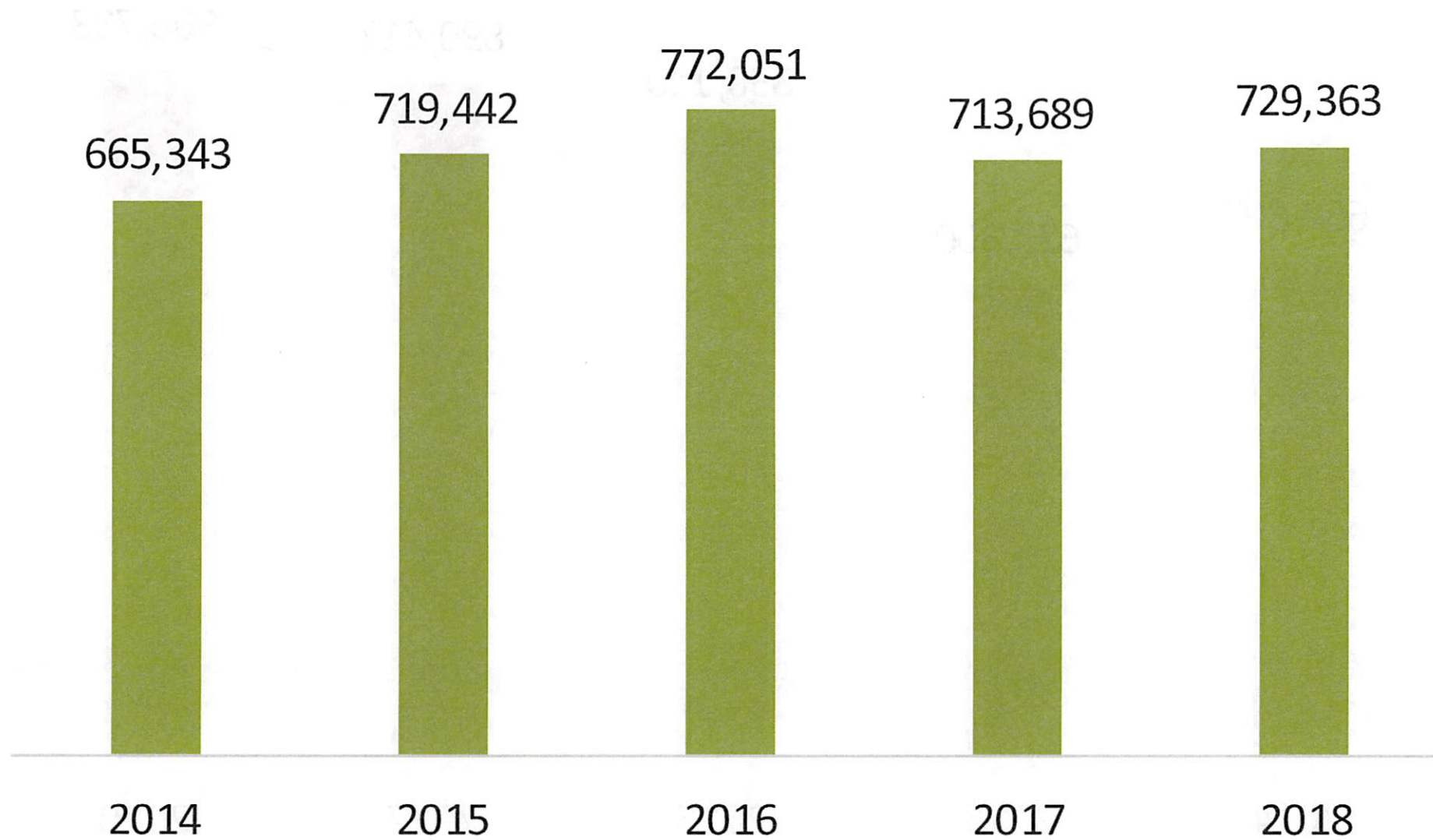
Historical Events



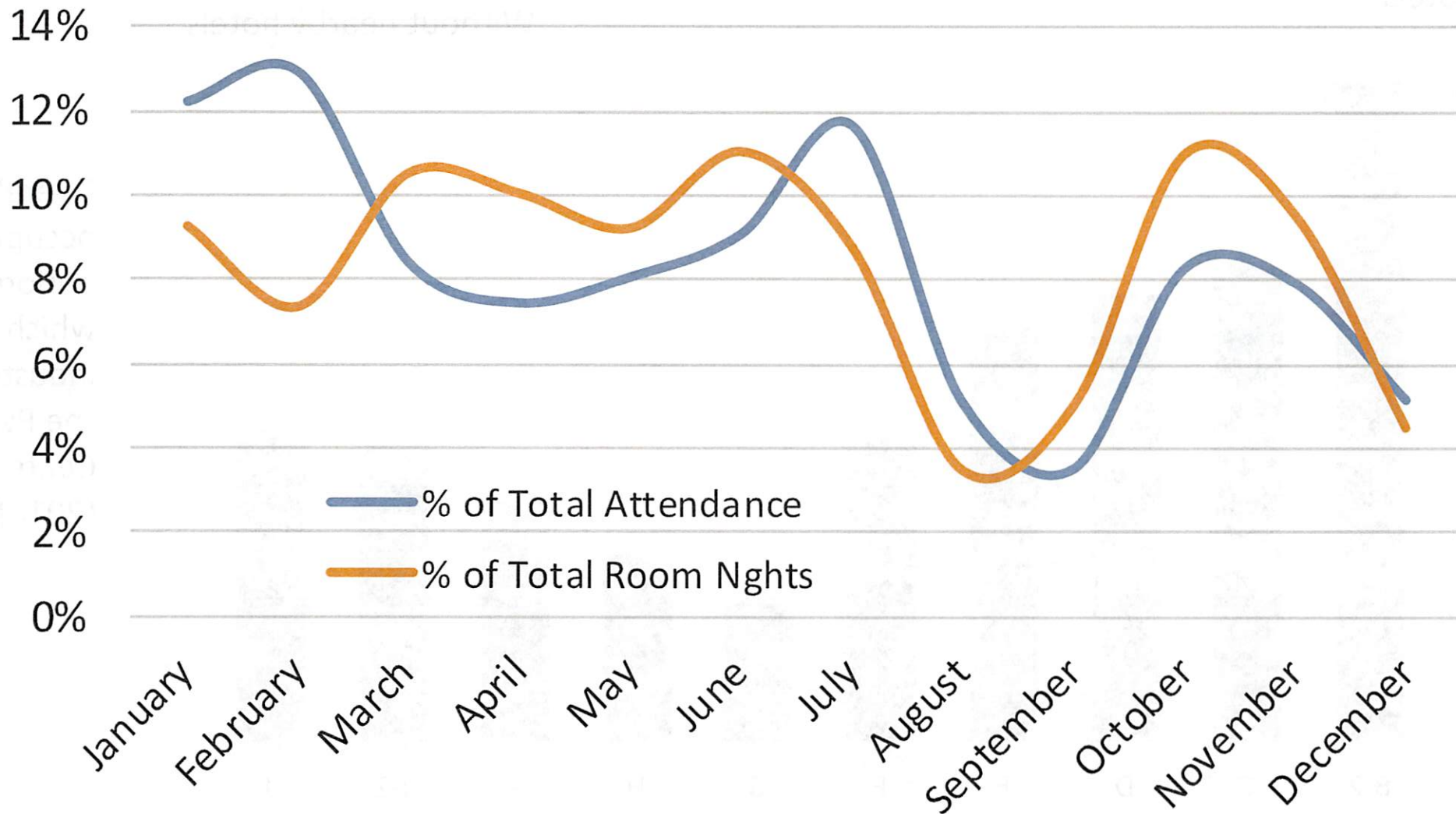
Historical Event Attendance



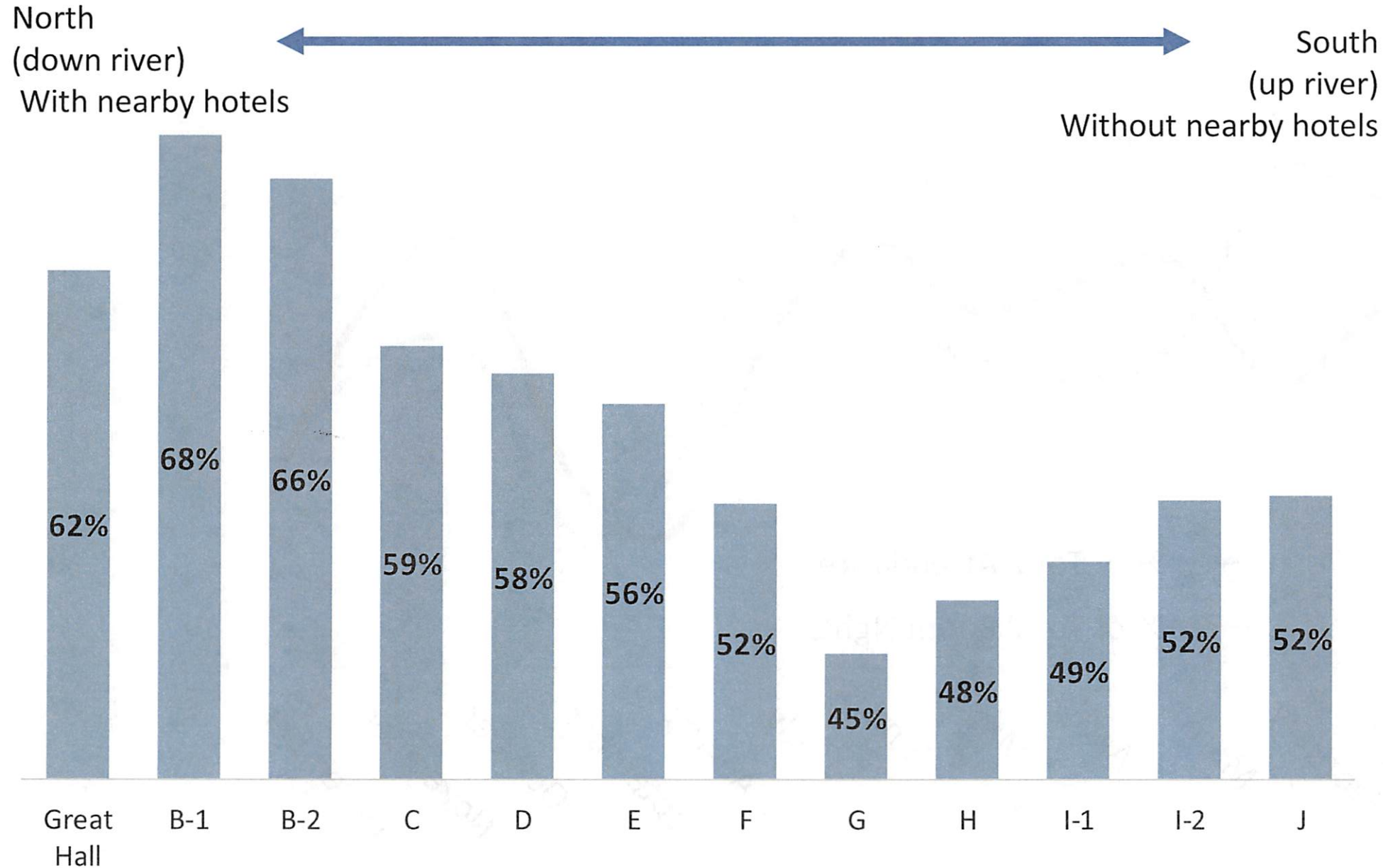
Historical Room Block Commitments



Event Seasonality (2013 – 2018)









Average Historical Exhibit Hall Usage (2013 to 2018)



Overall exhibit hall occupancy for this period was 55%, which is in-line with industry average per the PwC Convention Center Report Survey (2016).

MCC Annual Lost Business*

(Average of 2017 and 2018)

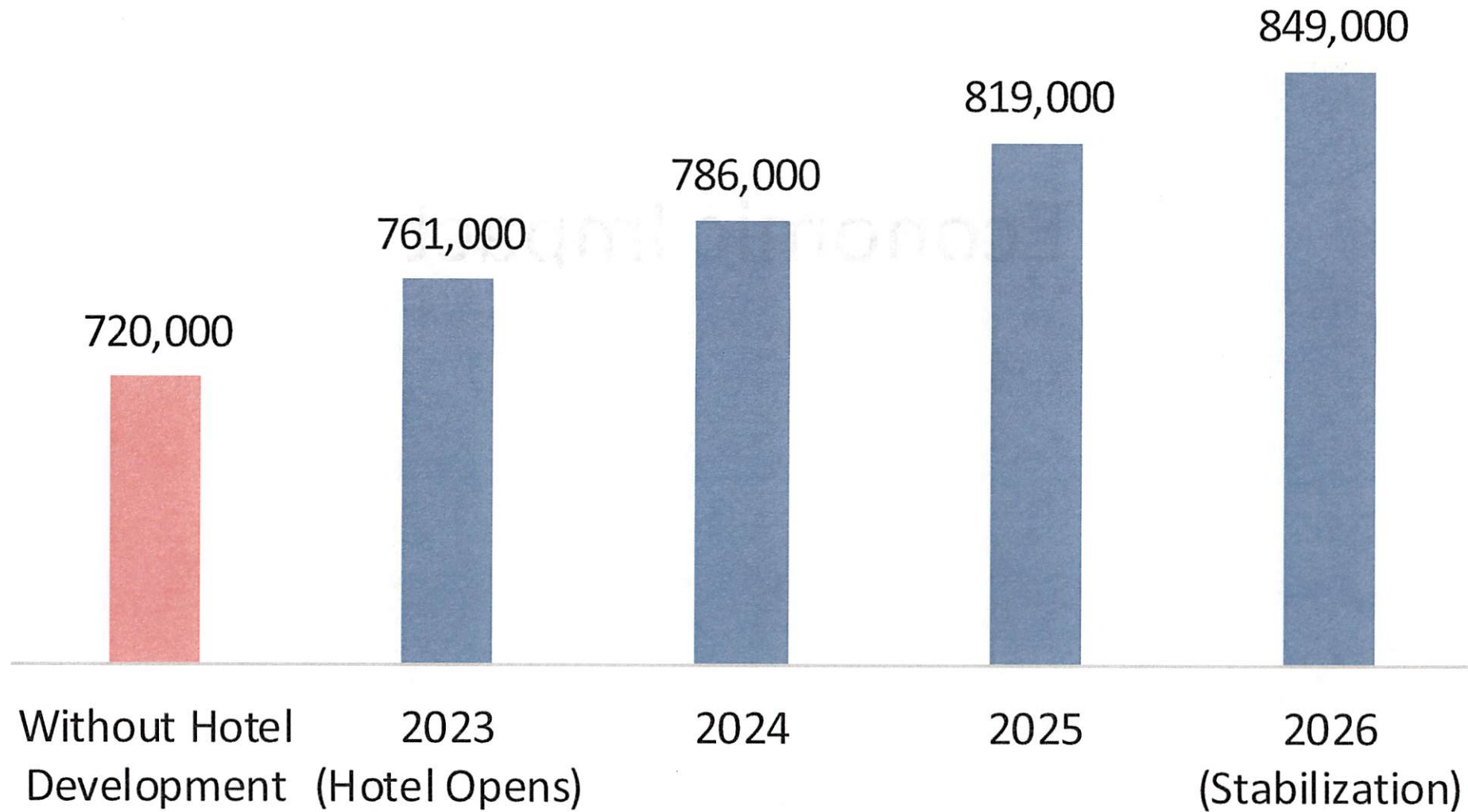
Lost Reason	Events	Attendance	% of Lost Attendance
Known Reasons			
Destination	93	706,000	46% 
Facility Quality	44	276,000	18% 
Hotel package/availability	33	235,000	15% 
Other	28	109,000	7% 
Rotation	6	23,000	1% 
Sub-total	239	1,538,759	
Unknown Reason	35	190,000	12% 
Total	274	1,728,759	

*Does not include CVB lost business.

Potential Lost Business Recovery due to facility quality and hotel package

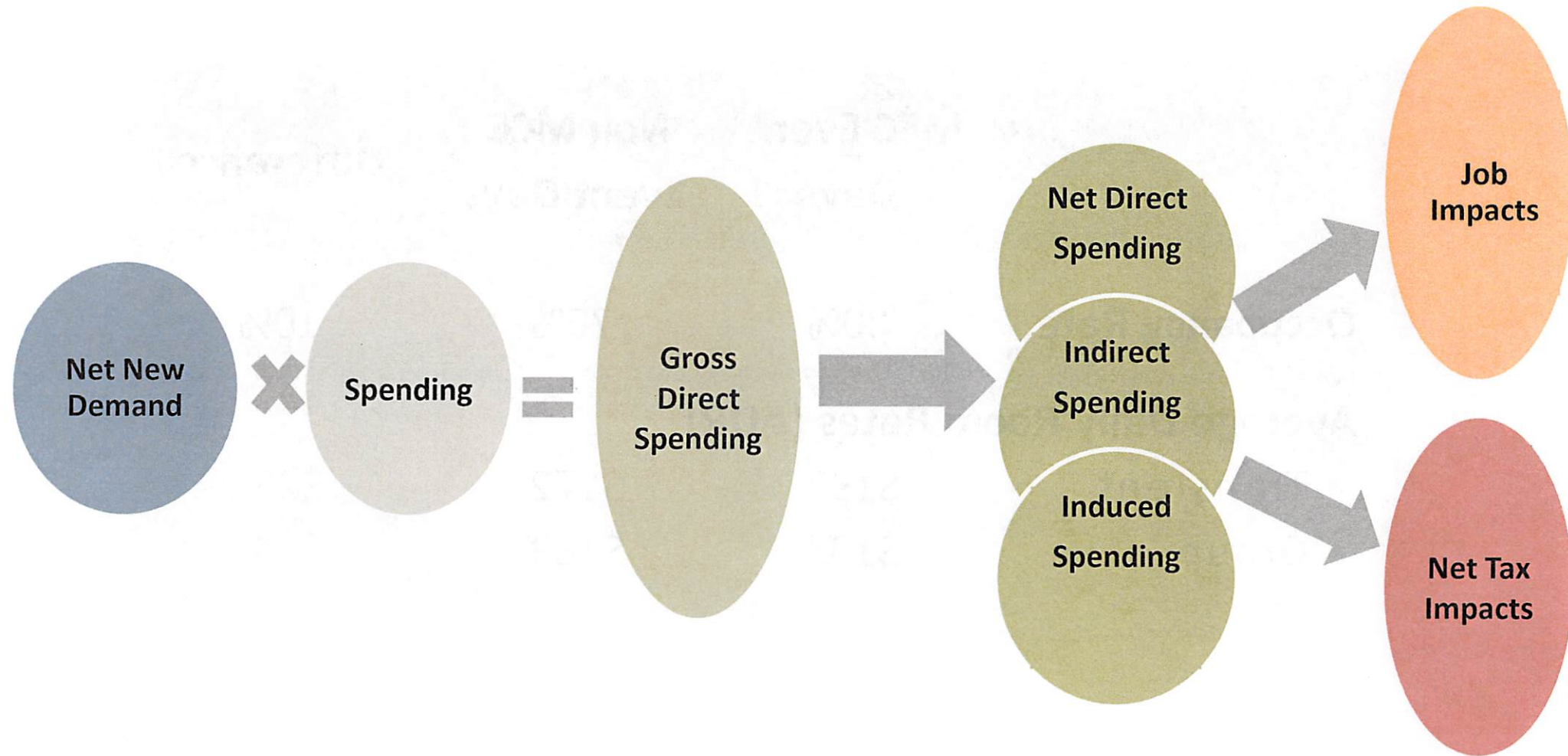
	Annual Lost Events	Recoverable Events	Estimated Recovered
Meeting/Conference/Conventions	216	65	17
Trade Show	0	0	0
Consumer Show	3	0	0
Banquets/Social	2	1	1
Competition	8	7	0
Other	10	3	1
Total	239	76	19

MCC Projected Room Blocks



Economic Impact

Impact Methodology



MCC Impact on Hotel Occupancy and Rate

	MCC Event Days	Non MCC Event Days	Difference
Occupancy Rate	80%	70%	10%
Average Daily Room Rates (ADR)			
Transient	\$197	\$172	\$25
Group	\$193	\$169	\$24

Annual MCC Event Days

Without Hotel Development

141

With Hotel Development

186

45 new MCC event days

Annual Hotel Revenue Impact (millions)

Without Hotel Development

\$127

With Hotel Development

\$168

\$41 million in new hotel room revenue

Visitor Spending (per attendee per trip)

Category	Average Spending
Restaurants/Meals	\$281
Bars/Nightclubs	73
Recreation/Entertainment	90
Shopping	138
Local Transport	59
Gambling	25
Lodging	447
Total	<u>\$1,114</u>

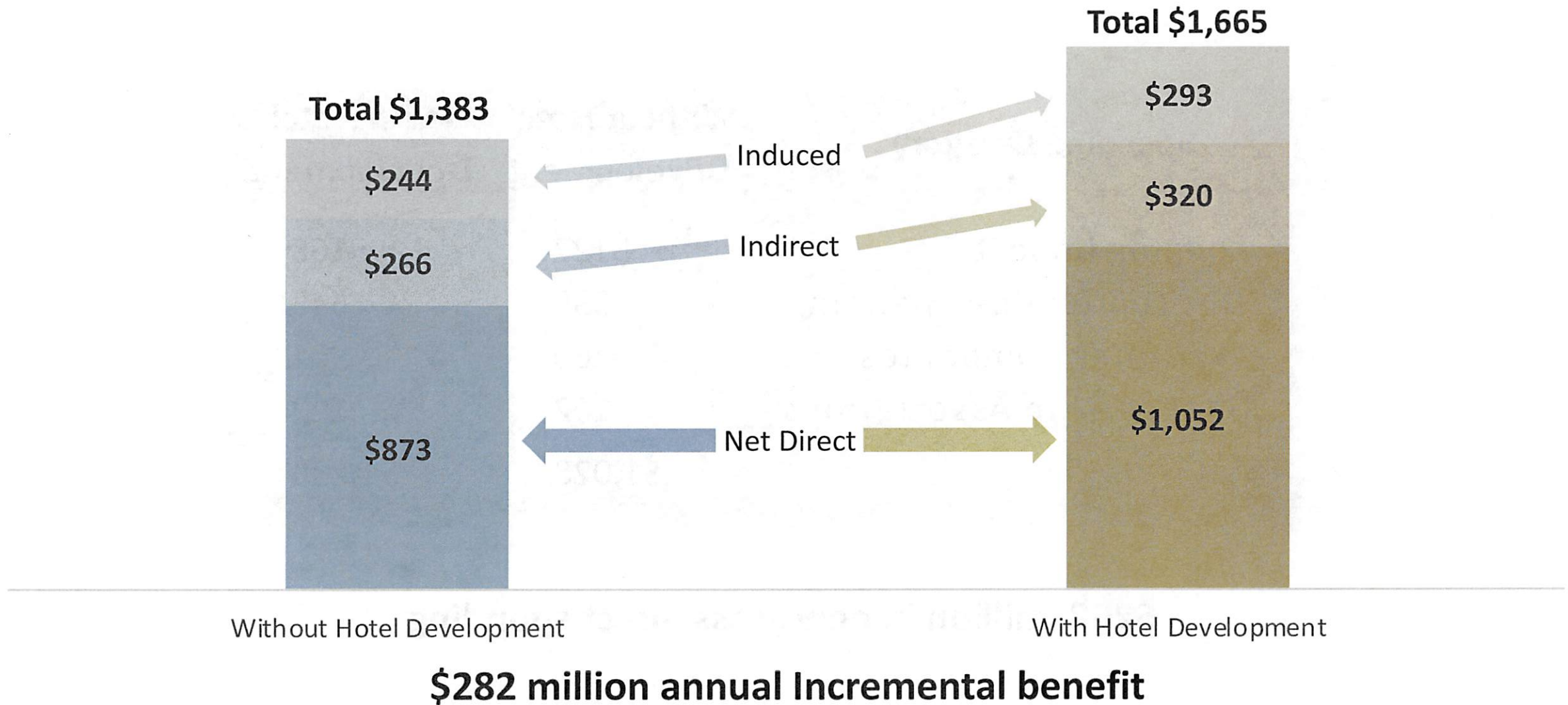
Source: UNO Economic Impact Analysis (2015-2017)

Gross Direct Spending (\$ millions)

Spending Category	Without Hotel Development	With Hotel Development
Lodging Impact	\$127	\$168
Direct Attendee Spending	539	645
Exhibiting Companies	260	301
Sponsorship Associations	102	122
Total	<u>\$1,028</u>	<u>\$1,236</u>

\$208 million in new gross direct spending

Annual Net Economic Impact (in millions of 2018 dollars) on City of New Orleans



Number of Jobs Supported by MCC Generated Spending

	Without Hotel Development	With Hotel Development	New Jobs Supported
Full-Time Equivalent Jobs	9,600	11,500	1,900

Potential New Annual Tax Revenue Generated by MCC Spending (\$ thousands)

Tax Source	Tax Revenue		
	Without Hotel Development	With Hotel Development	Incremental Benefit
Hotel Occupancy/F&B	\$36,523	\$45,809	\$9,286
Sales and Use	48,245	57,461	9,216
Property	27,455	33,367	5,912
Total	\$112,223	\$136,637	\$24,414

Summary of Annual Impacts

Summary of Impacts*	Without Hotel Development	With Hotel Development	Incremental Benefit
Economic Impact (millions)	\$1,382.9	\$1,665.1	\$282.2
Fiscal Impact (millions)	\$112.2	\$136.6	\$24.4
Jobs	9,600	11,500	1,900
*In a stabilized year.			

Catalyst for District Development

August 21, 2018

HVS Convention Sports and Entertainment Consulting FOR DISCUSSION PURPOSES
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Assumptions and Limiting Conditions

1. This report is to be used in whole and not in part.
2. No responsibility is assumed for matters of a legal nature.
3. We have not considered the presence of potentially hazardous materials on the proposed site, such as asbestos, urea formaldehyde foam insulation, PCBs, any form of toxic waste, polychlorinated biphenyls, pesticides, or lead-based paints.
4. All information, financial operating statements, estimates, and opinions obtained from parties not employed by HVS are assumed to be true and correct. We can assume no liability resulting from misinformation.
5. Unless noted, we assume that there are no encroachments, zoning violations, or building violations encumbering the subject property.
6. We are not required to give testimony or attendance in court by reason of this analysis without previous arrangements, and only when our standard per-diem fees and travel costs are paid prior to the appearance.
7. If the reader is making a fiduciary or individual investment decision and has any questions concerning the material presented in this report, it is recommended that the reader contact us.
8. We take no responsibility for any events or circumstances that take place subsequent to the date of our report.
9. The quality of a convention facility's on-site management has a direct effect on a facility's economic performance. The demand and financial forecasts presented in this analysis assume responsible ownership and competent management. Any departure from this assumption may have a significant impact on the projected operating results.
10. The analysis presented in this report is based upon assumptions, estimates, and evaluations of the market conditions in the local and national economy, which may be subject to sharp rises and declines. Over the projection period considered in our analysis, wages and other operating expenses may increase or decrease due to market volatility and economic forces outside the control of the facility's management.
11. We do not warrant that our estimates will be attained, but they have been developed on the basis of information obtained during the course of our market research and are intended to reflect reasonable expectations.
12. Many of the figures presented in this report were generated using sophisticated computer models that make calculations based on numbers carried out to three or more decimal places. In the interest of simplicity, most numbers have been rounded. Thus, these figures may be subject to small rounding errors.
13. It is agreed that our liability to the client is limited to the amount of the fee paid as liquidated damages. Our responsibility is limited to the client, and use of this report by third parties shall be solely at the risk of the client and/or third parties. The use of this report is also subject to the terms and conditions set forth in our engagement letter with the client.
14. Although this analysis employs various mathematical calculations, the final estimates are subjective and may be influenced by our experience and other factors not specifically set forth in this report.
15. This report was prepared by HVS Convention, Sports & Entertainment Facilities Consulting. All opinions, recommendations, and conclusions expressed during the course of this assignment are rendered by the staff of this organization, as employees, rather than as individuals.
16. This report is set forth as a market study of the subject facility; this is not an appraisal report.



Contact Information:

Thomas Hazinski

Managing Director

HVS Convention, Sports & Entertainment

312-587-9900 Ext. 11

thazinski@hvs.com